

Mini Arabica Coffee Futures Contract – Specifications –

1. Definitions

- Contract (specifications): The terms and rules under which the transactions shall be executed and settled.
- Settlement price (PA): The closing price, for the purpose of updating the value of open positions and calculating the variation margin and the settlement value of day trades, daily calculated and/or arbitrated by BM&F, at its own discretion, for each authorized delivery month, and expressed in Dollars of the United States of America per bag.
- BM&F exchange rate benchmark: The exchange rate of Brazilian Reals per United States Dollar described in Attachment III of Circular Letter 058/2002-DG, of April 19, 2002.
- PTAX rate: The exchange rate of Brazilian Reals (R\$) per U.S. Dollar for cash delivery, traded in the foreign exchange market, pursuant to the provisions of Resolution No. 3265/2005 of the National Monetary Council (CMN), calculated and published by the Central Bank of Brazil (BACEN) through SISBACEN, transaction PTAX800, option "5," closing offered quotation, for settlement in two days, utilizing the maximum of six decimal places, also published by BACEN with the denomination "closing PTAX," pursuant to Communication 10742, of February 17, 2003, corresponding to the last day of the month preceding the delivery month.

2. Underlying commodity

Green coffee beans produced in Brazil, variety *coffea arabica*, type six or better, good cup or better, to be delivered in the city of São Paulo, State of São Paulo, Brazil.

3. Price quotation

Dollars of the United States of America per 60-net kilogram bag to two decimal places.

4. Minimum daily price fluctuation

US\$0.05 (five cents of a U.S. Dollar) per 60-net kilogram bag.

5. Maximum daily price fluctuation

The same rules that apply to the U.S. Dollar Futures Contract.

The price fluctuation limit for the first delivery month shall be suspended on the last three days of trading.

The Exchange may alter the price fluctuation limit applicable to any delivery month at any time, even during a trading session, by communicating the market with a 30 minute-advance notice.

6. Contract size

10 bags weighing 60-net kilograms each.

7. Delivery months

March, May, July, September and December.

8. Number of authorized delivery months

As authorized by BM&F.

9. Last trading day

The last business day preceding the first day of the delivery month.

10. Business day

For the purposes of this contract, a trading day at BM&F shall be considered a business day. However, for the purposes of the payment and receipt of amounts, as referred to in items 11, 12, 13, 17 and 18, a day that is not a banking holiday in New York, USA, and is a trading day at BM&F shall be considered a business day.

11. Day trading

Buying and selling on the same trading session the same number of contracts for the same month shall be offset provided these transactions are executed on behalf of the same customer through the same Brokerage House and registered by the same Clearing member, or performed by the same Local and registered by the same Clearing Member. These transactions shall be cash settled on the following business day, and their amounts shall be calculated in accordance with item 12(a), in observance to the provisions of item 18, where applicable.

12. Daily settlement of accounts (variation margin)

The positions outstanding at the end of each session shall be marked-to-market according to that day's settlement price, as determined by BM&F rules and regulations. The corresponding amount shall be cash settled on the following business day, in observance of the provisions of item 18, where applicable.

The variation margin for open positions shall be calculated in accordance with the following formulas:

(a) For the positions initiated on the day

$$AD = (PA_t - PO) \times 10 \times n \quad (1)$$

(b) For the previous day's outstanding positions

$$AD = (PA_t - PA_{t-1}) \times 10 \times n \quad (2)$$

Where:

AD = the amount of variation margin;

PA_t = the day's settlement price verified in the Arabica Coffee Futures Contract for the same month;

PO = the traded price;

n = the number of contracts;

PA_{t-1} = the previous day's settlement price verified in the Arabica Coffee Futures Contract for the same month.

The amount of variation margin (AD) calculated as shown above, if positive, shall be credited to the buyer and debited to the seller. Should the calculation above present a negative value, it shall be debited to the buyer and credited to the seller.

The variation margin for open positions shall be calculated up to the last trading day.

13. Settlement conditions on expiration

On the last trading day and after the last settlement price, open positions shall be exclusively cash settled by BM&F through the registration of an offsetting transaction (long or short) on the same number of contracts by the settlement value, which shall be calculated in accordance with the following formula:

$$VL = PM \times 10$$

Where:

VL = the cash settlement value per contract;

PM = the weighted average Arabica Coffee Futures Contract price, including the closing call, obtained from the trades carried out on the last trading day of the mini contract.

Cash settlement shall be made on the first business day subsequent to the last trading day, in observance of the provisions of [item 18](#), where applicable.

14. Hedgers

Coffee growers, cooperatives, agricultural input companies, roasters, millers, processors, merchants, importers and exporters.

15. Margin requirements

Collateral shall be required from all customers holding open positions. Margin values shall be updated daily by the Exchange, in accordance with the margin calculation criteria for futures contracts.

Margins shall be due on the first business day following the trading day, in observance of the provisions of [item 10](#), where applicable.

When the conversion of cash collateral is necessary, it shall be made in observance to the provisions of [item 18](#), where applicable.

16. Assets eligible to meet margin requirements

Cash and other assets, upon former approval by the Exchange.

17. Trading costs

A fixed value per contract, as established by BM&F.

Trading costs shall be due on the first business day following the trading day, in observance to the provisions of [item 18](#) and [18.2](#), where applicable.

Common Members shall pay no more than 75% of the trading costs.

18. Additional provisions for cash settlement and cash collateral conversion

The following shall apply to the payment and receipt of amounts resulting from day trades, variation margin requirements, cash settlement, and the conversion of cash collateral:

18.1 Nonresidents

The amounts shall be payable and receivable in United States Dollars in New York, USA, through the settlement banks appointed by BM&F.

18.2 Residents

The amounts shall be in Reals, in accordance with the regular procedures of the other BM&F contracts not authorized to be traded by foreign investors.

When the conversion of amounts paid and received is necessary, the BM&F exchange rate benchmark, as defined in [item 1](#) and verified on a specific date according to the nature of each payment, shall be used as follows:

- (a) Amounts resulting from day trades: the BM&F exchange rate benchmark verified on the trading day;
- (b) Amounts resulting from variation margin requirements: the BM&F exchange rate benchmark verified on the day when the variation margin payment is due;
- (c) Amounts resulting from cash settlement: the BM&F exchange rate benchmark verified on the business day preceding the cash settlement date.

The conversion of the trading costs shall be made by the PTAX rate, as defined in item 1.

19. Further provisions

This contract shall be subject, where applicable, to the legislation in force and to BM&F rules, regulations and procedures, as defined in its Bylaws, Operating Rules and Circular Letters, as well as to the specific rules set forth by the Brazilian governmental authorities that may affect the terms stated herein.

CIRCULAR LETTER 102/2006-DG, OF 09/18/2006